STATE OF ILLINOIS)
)
COUNTY OF KANKAKEE)

OFFICIAL FILE
I.C.C. DOCKET NO. 00-0337, 0339
CIWC Exhibit No. 3.0R & 3.1R
Witness Bunosky
Date 11/17/00 Reporter Zoe

AFFIDAVIT

I, Thomas J. Bunosky, first being duly sworn upon oath depose and say that I am employed by Consumers Illinois Water Company, as Vice President and General Manager; that I have read the attached and foregoing Rebuttal Testimony of Thomas J. Bunosky in Docket Nos. 00-0337, 00-0338 and 00-0339 (consolidated), which is identified as CIWC Exhibit 3.0R, as well as CIWC Schedule 3.1R, which is attached thereto; that these documents were prepared by me or under my supervision and I know the contents thereof; that said contents are true in substance and in fact; and that CIWC Exhibits 3.0R and Schedule 3.1R are the testimony and exhibit I wish to give in this proceeding.

Further affiant sayeth not.

Thomas J. Bunosky

Subscribed and Sworn
to before me this
10 day of November, 2000.

Notary Public

OFFICIAL SEAL
JANE ZINANNI
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES: 12/29/02

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CIWC EXHIBIT NO. 3.0R

BEFORE THE ILLINOIS COMMERCE COMMISSION

REBUTTAL TESTIMONY

Of

THOMAS J. BUNOSKY

ON BEHALF OF

CONSUMERS ILLINOIS WATER COMPANY

DOCKET NOS. 00-0337, 00-0338, 00-0339

Consolidated

September 29, 2000

WITNESS IDENTIFICATION AND BACKGROUND

Q. Please state your name and business address.

A. Thomas J. Bunosky, 1000 S. Schuyler Avenue, Kankakee, Illinois, 60901

Q. Have you previously submitted testimony in this proceeding?

A. Yes. I sponsored CIWC Exhibit 3.0 and I sponsored certain of the E Schedule and Exhibits 3.1, through 3.3 for the Kankakee Water Division.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to specific portions of the direct testimony presented by Staff of the Illinois Commerce Commission, State of Illinois. Specifically I will address the areas of Plant Additions, Labor Expense and Operation and Maintenance Expenses.

PLANT ADDITIONS

Q. Are there any revisions to the plant additions that are being proposed for 2000?

A. Yes, there is a reduction in the cost of the water storage tank and an increase in the cost of the treatment plant projects.

Q. Will you please summarize the impact of the changes on utility plant.

A. Yes. As shown on Schedule 3.1R the cost of the Boubannais elevated storage tank has decreased from $1,587,371 to $1,135, 000, or a decrease of $452,371. The treatment plant projects were originally estimated at $1,227,554 and are now estimated to cost $2,294,452, an increase of $1,066,898. The net effect of the increase to the treatment plant projects and the decrease to the storage tank project is an increase to utility plant of $614,527.

Q. Please explain the decrease in the cost of the storage tank.

A. The cost of the storage tank decreased because the Company able to negotiate a lower price for the land, the cost of the piping between the new tank and the existing distribution system was lower than originally projected and the bid from the contractor, Chicago Bridge and Iron, for the tank itself was lower.

Q. Why did the treatment plant projects in total increase?

A. There are several individual projects that improve the turn of the century treatment plant that serves the Kankakee Division. Although the net effect of the treatment plant projects is an increase in utility plant, three of the projects' costs increased, one decreased and five remained the same.

Q. Which projects have changed in cost since the initial engineer's estimate?

A. There are three projects that have increased in cost: Filter Improvements ($170,000), the Line to Quarry ($228,008) and the Chemical Storage Improvements ($62,000). The cost of five projects – Turbidity Monitoring ($94,503) Replace Roof ($101,802), Laboratory Air Conditioner ($20,400), Plant Study ($30,000), and Small Plant Equipment ($25,000) have not changed. The costs of one project, Filter Backwash Waste ($541,000) decreased.

Q. Please summarize the changes to the Treatment Plant Projects.

A. The changes are as follows:

Q. Please describe the inadequacies that these projects were designed to correct?

A. The current filters do not have equipment on each filter to control the amount of water that passes through the filter based on the quality of the water produced, and headloss through the filter and flow. In addition, the filters do not have the proper piping and controls that allows the filter to be operated to waste after cleaning. In

addition, the water that is used for cleaning the filters (backwash water) is recycled directly to the head end of the plant.

Q. What is the updated engineer's estimate for the projects to address these inadequacies?

A. The (1) Filter Backwash Waste ($10,000), (2) Turbidity Monitoring ($95,000), and the (3) Filter Improvements ($906,240) totaling $1,011,240.

Q. How is the updated engineer's estimate determined for these projects?

A. The Filter Backwash Waste is based on the actual costs incurred on the project for the Engineering design. The Turbidity Monitoring is based on the actual cost of the purchased materials and the remaining CIWC labor required to install the equipment. The Filter Improvements are based on the Engineering drawings completed for the project by Camp Dresser and McKee and the Guaranteed Price from Bowen Engineering who is under contract to construct the facilities.

Q. Can you describe in detail the reasons for the change in cost for the Filter Backwash Waste project?

A. The project originally contemplated construction of a backwash holding tank and related piping and pumps to allow filter backwash water to be recycled to the head end of the plant at a rate that would not exceed 10% of the raw water flow rate into the plant. This was to satisfy the anticipated requirements of an Environmental Protection Agency ("EPA") rule that was to be promulgated in July 2000. The Kankakee Plant currently does not have provisions to control the rate of backwash return in this manner, and the planned improvements would have allowed such control to be implemented. The actual rule did not include this requirement—instead, it limits the daily backwash return to 10% of the entire raw water flow for

the day. The rule also requires a utility to monitor and perform an assessment of the impact of recycling filter backwash on the treatment process and finished water quality. After reviewing current and projected CIWC plant operations and backwash return practices, we concluded that the planned project does not need to be installed at this time to satisfy the EPA rule. CIWC plans to implement a monitoring program and to then determine if changes to backwash recycling practices are needed. For these reasons, CIWC has deferred this project, and the only costs are those incurred to date for planning and design of the originally contemplated project. These costs are approximately $10,000.

Q. Can you describe in detail the reasons for the cost change for the Filter Improvement project?

A. Currently, 7 of the 17 filters do not have filter to waste capability. In addition, rate of flow cannot be controlled on individual filters, and such control is deemed necessary to ensure water quality in the future. The project, as originally contemplated, involved adding filter-to-waste capability for 7 filters, and piping and control improvements for all filters, which in combination with the Turbidity Monitoring project, would allow monitoring and control of each filter individually. This would provide rate-of-flow control, filter-to-waste capability, and continuous monitoring and recording of effluent turbidity for each filter. Computerized controls will operate each filter based on the water quality produced, the headloss through the filter, and the rate of flow needed, thereby greatly increasing the reliability and performance of the filters. Our original cost estimate addressed the piping and control improvements deemed necessary to accomplish this, but did not recognize the extent of improvements needed to provide backflow prevention and the extra costs associated with doing this work in very

limited space while maintaining ongoing plant operations. After further review, it was determined that filter to waste modifications needed to be made for all filters, not just 7, to ensure adequate backflow prevention. These modifications require extensive piping changes and an air gap installation that requires pumps to be installed. Very tight working conditions and the need to place the air gap above the 100 year flood plain add to the complexity, and since each filter will need to be removed from service to do the work, scheduling needs to be carefully coordinated with plant operations. These additional factors are responsible for the increase in project cost.

Q. What other projects at the plant have increased in cost since the initial engineer's estimate?

A. The Line to Quarry.

Q. What was the initial engineer's estimate and scope of the project?

A. The initial estimate of $228,008 was to install a new sludge transmission main from the water treatment plant to the CIWC-owned quarry across the river. The existing line and pumping station were believed to be inadequate to transport the quantities of sludge required to be removed from the plant's settling basins.

Q. What is the updated engineer's estimate and scope of the project currently?

A. The project's scope has changed to include converting obsolete soda ash holding bins to a sludge equalization basin, revising the sludge discharge piping to discharge sludge from the existing settling basins to the new holding basin, and, installing a new sludge pump station that will pump sludge at a much higher pressure and flow from the new holding basin through the existing line to the quarry across the river. The existing line has been cleaned and inspected and has adequate capacity under the higher system pressures. The updated engineer's estimate for the project is $375,675.

Q. How is the updated engineer's estimate determined for this project?

A. The cost estimate is based on the Engineering drawings completed for the project by Camp Dresser and McKee and the Guaranteed Maximum Price from Bowen Engineering, which is under contract to construct the facilities.

Q. Why was the scope of the project changed?

A. The initial project of constructing a new sludge transmission main for the water treatment plant to the existing Quarry did not take into account the construction techniques that would be required for a river crossing. The conceptual plan and cost estimate assumed the pipe could be laid on the river bottom. Upon subsequent investigation, it was determined boring under the river would be required. This change in the river crossing construction greatly increased the price of the project beyond the original $228,000 estimate. In addition, the extensive restoration work that would be required along Cobb Blvd was under estimated. The updated Engineer's estimate for the project considering these changes increased the project's cost to over $700,000 Alternatives were evaluated to determine the best alternative at the least cost to address the problem. The alternative of the sludge holding basin with the revised piping and the new pump station was determined to be the most cost-effective option.

Q. Has any other project at the plant increased in cost since the initial Engineer's estimate?

A. The Chemical Storage Improvements.

Q. What was the initial engineer's estimate and scope of the project?

A. The project addressed the inadequacy to contain a spill from the Ferric Chloride storage tanks. It was proposed to relocate the existing Ferric Chloride Tanks to

another location within the Plant to provide containment of the chemicals in case of a tank rupture. The engineer's original estimate was $62,000 for the project.

Q. What is the updated engineer's estimate and scope of the project currently?

A. Subsequent investigation determined that safety issues associated with storage of other chemicals also needed to be addressed. The project's scope now entails constructing new tanks for the Ferric Chloride in a location of the Plant that is easily accessible and can be contained in case of a spill. In addition to the Ferric Chloride chemical storage, handling, and feed equipment improvements, the other chemicals that are stored in close proximity to the Chlorine storage room (Hydrofluosilicic Acid and polymer) were also addressed. The scope was expanded to address the relocation of these chemicals with new tanks, storage containment and feed equipment. In addition improvements are needed to provide Chloramination, which requires ammonia to be added to the water in addition to chlorine for disinfection purposes. This reduces the risk of THMs that chlorine alone can produce. Additional facilities were designed and are currently under construction to store and feed ammonia to the finished water. These changes address all of the chemical storage concerns at the Plant and the proper facilities to store and feed chemicals in a safe and efficient manner. The updated engineer's estimate is $730,832.

Q. How is the updated engineer's estimate determined for this project?

A. The cost estimate is based on the Engineering drawings completed for the project by Camp Dresser and McKee and the Guaranteed Price from Bowen Engineering who is under contract to construct the facilities.

Q. Why was the scope of the project changed?

A. The scope of the project was changed to address the entire chemical storage, handling and feed equipment located at the plant, not just the Ferric Chloride containment issue. The scope was also changed to fully address code requirements that apply to facility modifications, especially ventilation, electric and access to the chemicals. Once one chemical (Ferric Chloride) was to be relocated the issues of the other chemicals also needed to be addressed at the same time. In addition, it has been determined that ammonia needs to be added to the water, which was not part of the original scope of the project.

LABOR EXPENSE

Q. What are the labor expense adjustments that are being proposed?

A. The labor expense adjustment is for the addition of a Distribution Laborer position that was not part of the original filing.

Q. Why was the position not part of the original filing?

A. The Distribution Department in the summer of 1999 had a person leave the Company. In preparing the budget, the position was left out of the budgeting process due to the position being vacant at the time of the budget preparation and, therefore, the costs were not included in the 2001 test year.

Q. Has the position been filled?

A. Yes. The position has subsequently been filled with a new hire.

Q. Was this position included in the last rate filing with the Illinois Commerce Commission and the expense included in rates?

A. Yes. The position was included in the last rate filing.

Q. Has the Company increased the number of full time positions in the Kankakee Division in the Distribution, Customer Service or Production Departments since the last rate filing in 1997?

A. No. The Company has not added any new positions in the Kankakee Division in those departments.

Q. Have additional customers been added to the Kankakee Division since the last rate filing?

A. Yes. The customer count continues to increase in the Division. Since the last rate filing the customers have increased by 2500 new customers.

Q. Is this position needed to maintain the service provided to the customers?

A. Yes. The position is needed to maintain the same level of service that is provided to the customer as has been in the past. With the addition of the number of new customers, the current level of employees is required.

OPERATION AND MAINTENANCE EXPENSES

Q. On ICC Staff Exhibit 2.00, Schedule 2.05 (K), Mr. Knepler has identified $9,205 of expenses which he believes are promotional in nature. Mr. Knepler utilized this amount to produce a "Promotional Percent" which he then applies to the three Divisions' Advertising Expense to arrive at Staff's proposed disallowance

adjustments of $9,344, $7,610 and $52 for Kankakee, Vermilion and Woodhaven, respectively. Do you agree with Staff's advertising expense adjustments?

A. No I do not. While I am willing to accept Mr. Knepler's methodology, I believe this "Promotional Percent", and therefore Staff's adjustments are overstated. Mr. Knepler lists "Misc. (Mugs, Bottle, etc.") at $8,000 as a component of promotional expenses. The Company estimates approximately 60% or $4,800 of this amount relates to the distribution of bottled water, and is thus not specifically promotional in nature.

Q. Please explain further.

A. The estimated expense of $4,800 is associated with the purchase of plastic bottles with labels identifying the water as bottled from the tap by the Company and the Kankakee Division.

Q. What are the bottles used for?

A. The bottles are used to bottle the water that is produced at the Kankakee water treatment plant.

Q. How are the bottles distributed?

A. The filled bottles are distributed at community events that are held throughout the year by various organizations.

Q. Are the bottles sold at these events?

A. No. The bottles of water are distributed free at the events.

Q. What is the purpose of distributing Kankakee water treatment plant water at these local community events?

A. There is a multi-purpose effect of distributing these bottles of water to the public. First, this distribution is a service to our community. People attending these community

events, many of which are CIWC customers, clearly benefit by receiving free, safe and aesthetically pleasing bottled water.

Q. Is there another purpose to the distribution of bottled water?

A. Yes. The bottle water is used to educate the customer that water form the tap tastes as good and is as safe to drink as bottled water that the customer would purchase at the store. Through public awareness, we are trying to educate the customer that the only difference between the expensive bottled water (100+ times more expensive than tap) is the taste.

Q. What other educational messages are you trying to convey to the customer?

A. We are striving to educate the customer that the extra money they are spending on bottled water does not provide a safer product. Our goal is to inform the customer that buying bottled water over the counter is not the way to remedy their drinking water concerns. By bottling the water from the tap and giving it to the customer we are striving to increase the public confidence in their local water supply and eliminate any issue of quality or taste with the local inexpensive tap water.

Q. Why should the expense associated with bottled water be included in rates?

A. The filled bottles of water are an educational tool and as such should be an allowable expense. The bottles are used to educate the customers on the quality and taste of their local water supply and build the trust and confidence in the public water system. Our mechanisms such as the Consumer Confidence Reports are allowed in expenses and encouraged to be used to build the confidence in the local water supply.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

KANKAKEE DIVISION PLANT - IN - SERVICE ADJUSTMENTS

Schedule 3.1-R
Page 1 of 2

ACCT #	PROJECT DESCRIPTION	2000 BUDGET TOTAL	2000 REVISED BUDGET	REVISED LESS ORIGINAL	COMMENTS
	PUMPING PLANT				
311	Electric Pumping Equipment	92,186	92,186	0	
	WATER TREATMENT PLANT				
304-30	Structures & Improvements	876,051	537,877	-338,174	In Rebuttal Testimony
320	Treatment Equipment	351,503	1,756,575	1,405,072	In Rebuttal Testimony
	TRANSMISSION & DISTRIBUTION PLANT				
304-50	Structures & Improvements	239,406	239,406	0	
330	Reservoirs and Standpipes	1,587,371	1,135,000	-452,371	In Rebuttal Testimony
331	Mains	3,462,077	3,462,077	0	
333	Services	285,834	285,834	0	
334-10	Meters	105,000	105,000	0	
334-20	Meter Installations	61,572	61,572	0	
335	Hydrants	179784	179784	0	
	GENERAL PLANT				
304-80	Structures & Improvements	20,004	20,004	0	
340	Office Equipment	4,400	4,400	0	
341	Transportation Equipment	100,000	100,000	0	
343	Tools $ Shop Equipment	20,000	20,000	0	
346	Communication Equipment	51,801	51,801	0	
	TOTALS	7,436,989	8,051,516	614,527	

KANKAKEE DIVISION CAPITAL IMPROVEMENTS ADJUSTMENTS

Schedule 3.1-R
Page 2 of 2

ITEM	2000 ORIGINAL BUDGET	2000 REVISED BUDGET	REVISED LESS ORIGINAL	COMMENTS
ACCOUNT 304-30				
Filter Backwash Waste	495,841	10,000	-485,841	In Rebuttal Testimony
Line To Quarry	228,008	375,675	147,667	In Rebuttal Testimony
Replace Roof	101,802	101,802	0	
Laboratory Air Conditioner	20,400	20,400	0	
Plant Study	30,000	30,000	0	
SUB-TOTAL Acct 304-30	876,051	537,877	-338,174	
ACCOUNT 320				
Chemical Storage Improvements	62,000	730,832	668,832	In Rebuttal Testimony
Small Plant Equipment	25,000	25,000	0	
Turbidity Monitoring	94,503	94,503	0	
Filter Improvements	170,000	906,240	736,240	In Rebuttal Testimony
SUB-TOTAL Acct 320	351,503	1,756,575	1,405,072	
ACCOUNT 330				
Bourbonnais Elevated Storage	1,587,371	1,135,000	-452,371	In Rebuttal Testimony
SUB-TOTAL Acct 330	1,587,371	1,135,000	-452,371	
TOTAL ACCT 304-30 + 320 + 330	2,814,925	3,429,452	614,527	